

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS AND OTHER SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2003

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Raceland-Worthington Independent School District
Raceland, Kentucky

I have audited the accompanying general purpose financial statements of Raceland-Worthington Independent School District (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Raceland-Worthington Independent School District. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards and the standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements* and *Appendix II to the Independent Auditor's Contract – State Audit Requirements*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group which should be included to conform with accounting principles generally accepted in the United States of America. The amounts that should be recorded as assets are not readily available.

In my opinion, except for the effect of the omission discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Raceland-Worthington Independent School District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 31, 2003 on my consideration of Raceland-Worthington School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements of Raceland-Worthington Independent School District. Such information has been subjected to the audit procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

October 31, 2003

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types		
	General Fund	Special Revenue Fund	Capital Projects Fund
ASSETS AND RESOURCES:			
Cash and cash equivalents (Note 14)	\$ 1,422,148	\$ -	\$ 129,777
Accounts receivables-			
Other	19,604	-	-
Intergovernmental – State	-	26,100	-
Intergovernmental - Federal	-	132,487	-
Due from other funds	131,844	-	-
Inventories	-	-	-
Fixed assets-net (Note 3)	-	-	-
Amount to be provided for accumulated sick leave	-	-	-
Amount to be provided for retirement of General			
Long-term Obligations	-	-	-
	<u>\$ 1,573,596</u>	<u>\$ 158,587</u>	<u>\$ 129,777</u>
Total Assets and Resources			
	<u>\$ 1,573,596</u>	<u>\$ 158,587</u>	<u>\$ 129,777</u>
LIABILITES, EQUITY AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ 12,681	\$ -	\$ 79
Deposits held in custody for students	-	-	-
Due to other funds	-	131,844	-
Accrued sick leave payable (Note 5)	-	-	-
Deferred revenues	-	26,743	-
Bonds payable (Note 4)	-	-	-
	<u>12,681</u>	<u>158,587</u>	<u>79</u>
Total Liabilities			
	<u>12,681</u>	<u>158,587</u>	<u>79</u>
EQUITY AND FUND BALANCES			
Retained Earnings	-	-	-
Fund Balance-			
Reserved for sick leave	137,110	-	-
Reserved	-	-	129,698
Unreserved	<u>1,423,805</u>	<u>-</u>	<u>-</u>
	<u>1,560,915</u>	<u>-</u>	<u>129,698</u>
Total Equity and Fund Balance			
	<u>1,560,915</u>	<u>-</u>	<u>129,698</u>
Total Liabilities, Equity and Fund Balances	<u>\$ 1,573,596</u>	<u>\$ 158,587</u>	<u>\$ 129,777</u>

<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	
<u>Debt Service Fund</u>	<u>Enterprise Fund</u>	<u>Activity Funds</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
\$ 470	\$ 162,696	\$ 157,078	\$ -	\$ 1,872,169
-	-	-	-	19,604
-	-	-	-	26,100
-	-	-	-	132,487
-	-	-	-	131,844
-	2,820	-	-	2,820
-	32,404	-	-	32,404
-	-	-	335,716	335,716
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755,000</u>	<u>2,755,000</u>
<u>\$ 470</u>	<u>\$ 197,920</u>	<u>\$ 157,078</u>	<u>\$ 3,090,716</u>	<u>\$ 5,308,144</u>
\$ -	\$ -	\$ 982	\$ -	\$ 13,742
-	-	156,096	-	156,096
-	-	-	-	131,844
-	-	-	335,716	335,716
-	-	-	-	26,743
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755,000</u>	<u>2,755,000</u>
<u>-</u>	<u>-</u>	<u>157,078</u>	<u>3,090,716</u>	<u>3,419,141</u>
-	197,920	-	-	197,920
-	-	-	-	137,110
470	-	-	-	130,168
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423,805</u>
<u>470</u>	<u>197,920</u>	<u>-</u>	<u>-</u>	<u>1,889,003</u>
<u>\$ 470</u>	<u>\$ 197,920</u>	<u>\$ 157,078</u>	<u>\$ 3,090,716</u>	<u>\$ 5,308,144</u>

The accompanying notes to financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>	<u>Special Revenue Fund</u>
REVENUES:		
From local sources:		
Taxes:		
Property	\$ 806,895	\$ -
Motor vehicle	126,093	-
Earnings on investments	29,700	147
Other local revenue	9,148	691
Intergovernmental – state	4,272,725	331,650
Intergovernmental – indirect federal	<u>-</u>	<u>332,356</u>
Total Revenues	<u>5,244,561</u>	<u>664,844</u>
EXPENDITURES:		
Current:		
Instruction	2,858,557	554,311
Support services:		
Student	174,723	11,212
Instructional staff	335,433	50,001
District administration	376,292	-
School administration	382,910	-
Business	80,726	-
Plant operation and maintenance	394,044	-
Student transportation	229,121	7,839
Central office	5,722	-
Food service operations	47,678	-
Community services	10,519	48,571
Facilities, renovation\additions	-	-
Bonds paid	-	-
Bond interest	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,895,725</u>	<u>671,934</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>348,836</u>	<u>(7,090)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	7,090
Operating transfers out	<u>(7,090)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(7,090)</u>	<u>7,090</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	341,746	-
FUND BALANCE - Beginning of year	<u>1,219,169</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 1,560,915</u>	<u>\$ -</u>

Capital Projects Fund	Debt Service Fund	Totals (Memorandum Only)
\$ 59,121	\$ -	\$ 866,016
10,609	-	136,702
143	61	30,051
-	-	9,839
274,050	197,912	5,076,337
<u>-</u>	<u>-</u>	<u>332,356</u>
<u>343,923</u>	<u>197,973</u>	<u>6,451,301</u>
-	-	3,412,868
-	-	185,935
-	-	385,434
-	-	376,292
-	-	382,910
-	-	80,726
-	-	394,044
-	-	236,960
-	-	5,722
-	-	47,678
-	-	59,090
138,173	-	138,173
-	263,000	263,000
<u>-</u>	<u>127,319</u>	<u>127,319</u>
<u>138,173</u>	<u>390,319</u>	<u>6,096,151</u>
<u>205,750</u>	<u>(192,346)</u>	<u>355,150</u>
133,213	192,407	332,710
<u>(325,620)</u>	<u>-</u>	<u>(332,710)</u>
<u>(192,407)</u>	<u>192,407</u>	<u>-</u>
13,343	61	355,150
<u>116,355</u>	<u>409</u>	<u>1,335,933</u>
<u>\$ 129,698</u>	<u>\$ 470</u>	<u>\$ 1,691,083</u>

The accompanying notes to financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 825,204	\$ 806,895	\$ (18,309)
Motor vehicle	113,993	126,093	12,100
Earnings on investments	37,500	29,700	(7,800)
Other local revenue	7,000	9,148	2,148
Intergovernmental – state	3,327,447	4,272,725	945,278
Intergovernmental – indirect federal	-	-	-
Total Revenues	<u>4,311,144</u>	<u>5,244,561</u>	<u>933,417</u>
EXPENDITURES:			
Current:			
Instruction	2,722,672	2,858,557	(135,885)
Support services:			
Student	167,847	174,723	(6,876)
Instructional staff	280,891	335,433	(54,542)
District administration	705,243	376,292	328,951
School administration	408,791	382,910	25,881
Business	91,300	80,726	10,574
Plant operation and maintenance	701,834	394,044	307,790
Student transportation	282,829	229,121	53,708
Central office	5,070	5,722	(652)
Community services	-	10,519	(10,519)
Food service operations	-	47,678	(47,678)
Facilities, acquisition and construction	-	-	-
Total Expenditures	<u>5,366,477</u>	<u>4,895,725</u>	<u>470,752</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(1,055,333)</u>	<u>348,836</u>	<u>1,404,169</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	<u>(11,657)</u>	<u>(7,090)</u>	<u>4,567</u>
Total Other Financing Sources (Uses)	<u>(11,657)</u>	<u>(7,090)</u>	<u>4,567</u>
EXCESS (Deficit) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING ACTIVITIES	(1,066,990)	341,746	1,408,736
FUND BALANCE - Beginning of year	<u>1,066,990</u>	<u>1,219,169</u>	<u>152,179</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ 1,560,915</u>	<u>\$ 1,560,915</u>

Special Revenue Fund			Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 59,121	\$ 59,121	\$ -
-	-	-	10,609	10,609	-
130	147	17	143	143	-
-	691	691	-	-	-
329,268	331,650	2,382	274,050	274,050	-
<u>332,356</u>	<u>332,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>661,754</u>	<u>664,844</u>	<u>3,090</u>	<u>343,923</u>	<u>343,923</u>	<u>-</u>
548,787	554,311	(5,524)	-	-	-
13,500	11,212	2,288	-	-	-
50,561	50,001	560	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,116	7,839	277	-	-	-
-	-	-	-	-	-
47,880	48,571	(691)	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>204,895</u>	<u>138,173</u>	<u>66,722</u>
<u>668,844</u>	<u>671,934</u>	<u>(3,090)</u>	<u>204,895</u>	<u>138,173</u>	<u>66,722</u>
<u>(7,090)</u>	<u>(7,090)</u>	<u>-</u>	<u>139,028</u>	<u>205,750</u>	<u>66,722</u>
7,090	7,090	-	-	133,213	133,213
<u>-</u>	<u>-</u>	<u>-</u>	<u>(210,710)</u>	<u>(325,620)</u>	<u>(114,910)</u>
<u>7,090</u>	<u>7,090</u>	<u>-</u>	<u>(210,710)</u>	<u>(192,407)</u>	<u>18,303</u>
-	-	-	(71,682)	13,343	85,025
<u>-</u>	<u>-</u>	<u>-</u>	<u>116,355</u>	<u>116,355</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,673</u>	<u>\$ 129,698</u>	<u>\$ 85,025</u>

The accompanying notes to financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$ 152,901
Total Operating Revenues	<u>152,901</u>
OPERATING EXPENSES	
Salaries and wages	155,087
Contract services	16,183
Materials and supplies	161,480
Depreciation	<u>5,883</u>
Total Operating Expenses	<u>338,633</u>
OPERATING LOSS	<u>(185,732)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	135,776
Donated commodities	20,830
State grants	5,352
Interest income	<u>2,007</u>
Total non-operating revenues	<u>163,965</u>
NET LOSS	(21,767)
RETAINED EARNINGS - Beginning of year	<u>219,687</u>
RETAINED EARNINGS - End of year	<u>\$ 197,920</u>

The accompanying notes to the financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	\$ (185,732)
Adjustments to reconcile operating loss to	
Net cash used for operating activities:	
Depreciation	5,883
Donated commodities	20,830
Change in assets and liabilities:	
(Increase) decrease in inventories	1,399
Increase (decrease) in accounts payable	<u>-</u>
Net Cash Used By Operating Activities	<u>(157,620)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Federal grants	135,776
State grants	<u>5,352</u>
Net Cash Used By Capital And Related Financing Activities	<u>141,128</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>2,007</u>
Net Cash Provided By Investing Activities	<u>2,007</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(14,485)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>177,181</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 162,696</u></u>

The accompanying notes to the financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

(1) REPORTING ENTITY

The Raceland-Worthington Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Raceland-Worthington Independent School District (District). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Raceland-Worthington Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Organizations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing Board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Raceland-Worthington Independent School District Finance Corporation

On January 2, 1990, the Raceland-Worthington Independent School District Board of Education resolved to authorize the establishment of the Raceland-Worthington Independent School District Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Raceland-Worthington Independent School District Board of Education also comprise the Corporation's Board of Directors.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Raceland-Worthington Independent School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, which stands separate from the activities reported in other funds. A description along with the restrictions associated with each class of funds are as follows:

I. Governmental Fund Types

- A. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Technology Fund accounts for the Kentucky Education Technology System (KETS) allocation and local district matching funds restricted for the purchase of technology consistent with the District's approved technology plan.
 - 4. The School Construction Fund and Education Building Funds account for proceeds from sale of bonds and other revenues to be used for authorized construction expenditures.
- D. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA).

III. Fiduciary Fund Type

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

IV. General long-term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, including bonded debt and lease obligations, except those accounted for in Proprietary Funds and Trust Funds.

Basis of Accounting

The records of the Board are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included

on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The Proprietary Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Fixed assets of the proprietary fund are recorded at cost less accumulated depreciation. Depreciation on fixed assets is recorded using the straight-line method over the assets estimated useful lives. Under this basis of accounting and measurement focus, the District applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Adjustments have been made to properly present the financial statements of the governmental fund types on the modified accrual basis of accounting. On the basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Budget

The District is required by state law to adopt annual budgets for the general fund, special revenue fund, capital outlay fund, and the food service fund. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances is then provided for at year-end. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory at cost, determined on the first-in, first-out basis, using to accrual basis of accounting.

Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District’s ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

Total Columns

Total columns on the financial statements are indicated as "Memorandum Only," as data in these columns do not present financial positions, results of operations, or changes in fund balance in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) EQUIPMENT

A summary of Proprietary Fund fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$ 70,380
Accumulated Depreciation	<u>(37,976)</u>
Net Fixed Assets - Proprietary Fund	<u>\$ 32,404</u>

Depreciation of Proprietary fixed assets is computed using the straight-line method over the assets useful lives. Estimated useful lives per fixed asset classification are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Computers	3 years
Equipment	5-12 years

Depreciation expense for the year totaled \$6,550.

(4) BOND DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Raceland-Worthington Independent School District Finance Corporation aggregating \$3,949,000.

The original amounts of the issues, the issue dates and interest rates are summarized in the table below.

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
1998	1,590,000	3.85 - 4.60%
1998B	1,980,000	3.25 - 4.00%
1999 KISTA	379,000	4.20 - 5.45%

The District, through local building fund taxes, the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, and the Facilities Support Program of Kentucky is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on the bonds issued by the Raceland-Worthington Independent School District Finance Corporation. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Changes in bonds payable for the year ended June 30, 2003 are outlined below:

Balance outstanding at June 30, 2002	\$3,078,000
Bonds retired during current year	<u>(263,000)</u>
Balance outstanding at June 30, 2003	<u>\$2,755,000</u>

On October 1, 1999, the Raceland-Worthington Independent School District entered into a KISTA SILP Loan, Series 1999h5f, in the amount of \$379,000 for construction at Campbell Elementary. All debt service payments are to be made by the School Facilities Construction Commission (SFCC) for this issue.

The School District has a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide a portion of the payment of principal and interest requirements on the bonds. The figure below sets forth the amounts to be paid by the District and the Commission for each year until maturity of all bond issues. The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2003 for debt service, (principal and interest) are exhibited in Figure 1.

FIGURE 1
MINIMUM OBLIGATIONS OF DEBT SERVICE AT JUNE 30, 2003

Year	KSFCC Portion of Principal	KSFCC Portion of Interest	Raceland Portion of Principal	Raceland Portion of Interest	Grand Totals	
					Principal	Interest
2004	137,084	61,224	136,916	55,262	274,000	116,486
2005	142,652	55,553	146,348	49,557	289,000	105,110
2006	150,248	49,581	159,752	43,409	310,000	92,990
2007	152,945	43,286	163,055	37,419	316,000	80,705
2008	165,705	36,766	176,295	31,304	342,000	68,070
2009	172,685	29,518	189,315	24,252	362,000	53,770
2010	175,681	21,881	197,319	16,680	373,000	38,561
2011	74,326	14,008	219,674	8,787	294,000	22,795
2012	20,000	-	-	-	20,000	-
2013	21,000	-	-	-	21,000	-
2014	22,000	-	-	-	22,000	-
2015	24,000	-	-	-	24,000	-
2016	25,000	-	-	-	25,000	-
2017	26,000	-	-	-	26,000	-
2018	28,000	-	-	-	28,000	-
2019	29,000	-	-	-	29,000	-
	<u>\$1,366,326</u>	<u>\$ 311,817</u>	<u>\$1,388,674</u>	<u>\$ 266,670</u>	<u>\$2,755,000</u>	<u>\$ 578,487</u>

(5) ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system employees will receive an amount equal to 30% of the value of accumulated sick leave. At June 30, 2003, the District followed the vesting method of calculation and the assumption that all vested employees with ten years of experience will retire from the District. Accordingly, a liability of \$335,716 was recorded in the general long-term debt account group. The District has the option of funding up to 50% of the total amount accrued as a reservation of Fund Balance. At June 30, 2003, the District had reserved \$137,110 for sick leave payout.

(6) RETIREMENT PLANS

The Raceland-Worthington Independent School District contributes to the Teacher's Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

The Raceland-Worthington Independent School District's total payroll for the year ended June 30, 2003 was \$3,913,389. The payroll for employees covered under KTRS was \$3,194,011. Contributions to KTRS made on behalf of the District by the Commonwealth of Kentucky for the year ended June 30, 2003 were \$393,731 while the District matched \$24,978, respectively, equal to the required contributions for each year.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing multiple-employer, public employers' retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 6.34% of the employee's total compensation subject to contribution.

The contribution requirement for CERS for the year ended June 30, 2003, was \$68,244, which consisted of \$38,154 from the District and \$30,090 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons between the plans and employers.

The funding status and progress, actuarially determined contribution requirements, and trend information may be found in the *Commonwealth of Kentucky Comprehensive Annual Report* for the year ended June 30, 2003, under "Notes to the General Purpose Financial Statements – Pension Plans", which is scheduled for release in December 2003.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

(7) ON-BEHALF PAYMENTS

The Commonwealth of Kentucky pays various employee benefits on behalf of the District. Included in revenues and expenditures of the General Fund are the following benefits relating to District employees that were paid by the State of Kentucky, net of federal program reimbursements:

Health Insurance	\$ 297,055
Flexible Spending	109,124
Life Insurance and Admin. Fees	7,735
Teachers Retirement (Note 6)	<u>393,731</u>
Total Employee Fringe Benefits	<u>\$ 807,645</u>

The State of Kentucky also paid Vocational Education expenses on behalf of the District in the amount of \$16,648. This amount is also included in the revenues and expenditures of the General Fund for the year ended June 30, 2003.

(8) COMMITMENTS

The District received approval from the Kentucky Department of Education for the construction of a Cultural Arts and Athletic Complex on the High School campus. Accordingly, the District entered into an agreement with a general contractor and gave notice to proceed with construction of the Complex on June 25, 2003. The project, which has an estimated construction cost of \$3,308,600, has an anticipated completion date of August 23, 2004. Financing for the project consists of District Building Fund monies and a \$3,195,000 bond issue dated June 1, 2003, which was closed and delivered on July 15, 2003.

(9) CONTINGENCIES

The District receives funding from federal, state, and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review

indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant.

Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

(10) INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated which include worker's compensation insurance.

(11) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

The district pays an annual premium to each fund for coverage. Contributions to the Workers Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for potential loss.

(13) TRANSFERS OF FUNDS

The following transfers were made during the year:

Type	From	To	Purpose	Amount
Operating	General Fund	Special Revenue	Matching	\$ 7,090
Operating	FSPK	Construction	Capital Project	133,213
Operating	SEEK	Debt Service	Debt Service	73,210
Operating	FSPK	Debt Service	Debt Service	119,197

(14) CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's cash and cash equivalents was \$1,872,169 and the bank balance was \$2,218,433. Of the total cash balance, \$100,000 was covered by Federal depository insurance; and the remaining \$2,118,433 was covered by government securities and collateral deposits held by the safekeeping department of another bank in the District's name.

(15) GASBS NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (Statement). Significant financial statement changes prescribed by the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial Statements prepared using full accrual accounting for all of the District's activities, including the reporting of fixed assets and infrastructure.
- The fund financial statements will focus on the major funds

The general provisions of GASBS No. 34 must be implemented by the District no later than the fiscal year ending June 30, 2004.

SUPPLEMENTAL INFORMATION

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2003

	<u>Seek Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Building Construction Fund</u>	<u>Total Capital Projects Fund</u>
ASSETS				
Cash and cash equivalents (Note 12)	\$ 18,303	\$ -	\$ 111,474	\$ 129,777
Total Assets	<u>\$ 18,303</u>	<u>\$ -</u>	<u>\$ 111,474</u>	<u>\$ 129,777</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 79	\$ 79
Total Liabilities	<u>-</u>	<u>-</u>	<u>79</u>	<u>79</u>
 FUND BALANCES:				
Reserved	<u>18,303</u>	<u>-</u>	<u>111,395</u>	<u>129,698</u>
Total Fund Balances	<u>18,303</u>	<u>-</u>	<u>111,395</u>	<u>129,698</u>
Total Liabilities and Fund Balances	<u>\$ 18,303</u>	<u>\$ -</u>	<u>\$ 111,474</u>	<u>\$ 129,777</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Seek Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>School Construction Fund</u>	<u>Total Capital Projects Fund</u>
REVENUES:				
From local sources:				
Taxes:				
Property	\$ -	\$ 59,121	\$ -	\$ 59,121
Motor Vehicle	-	10,609	-	10,609
Earnings on Investments	143	-	-	143
Intergovernmental – State	<u>91,370</u>	<u>182,680</u>	<u>-</u>	<u>274,050</u>
Total Revenues	<u>91,513</u>	<u>252,410</u>	<u>-</u>	<u>343,923</u>
EXPENDITURES:				
Current:				
Facility renovation\additions	<u>-</u>	<u>-</u>	<u>138,173</u>	<u>138,173</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>138,173</u>	<u>138,173</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	91,513	252,410	(138,173)	205,750
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	133,213	133,213
Operating transfers out	<u>(73,210)</u>	<u>(252,410)</u>	<u>-</u>	<u>(325,620)</u>
Total Other Financing Sources (Uses)	<u>(73,210)</u>	<u>(252,410)</u>	<u>133,213</u>	<u>(192,407)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	18,303	-	(4,960)	13,343
FUND BALANCE, Beginning of year	<u>-</u>	<u>-</u>	<u>116,355</u>	<u>116,355</u>
FUND BALANCE, End of year	<u>\$ 18,303</u>	<u>\$ -</u>	<u>\$ 111,395</u>	<u>\$ 129,698</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2003

	<u>1998 Bond Fund</u>	<u>1998B Bond Fund</u>	<u>KISTA Bond Fund</u>	<u>Totals</u>
REVENUES:				
KY School Facilities Commission	\$ 109,985	\$ 57,000	\$ 30,927	\$ 197,912
Interest	<u>30</u>	<u>31</u>	<u>-</u>	<u>61</u>
Total Revenues	<u>110,015</u>	<u>57,031</u>	<u>30,927</u>	<u>197,973</u>
EXPENDITURES:				
Bonds paid	190,000	60,000	13,000	263,000
Bond interest	<u>46,917</u>	<u>62,475</u>	<u>17,927</u>	<u>127,319</u>
Total Expenditures	<u>236,917</u>	<u>122,475</u>	<u>30,927</u>	<u>390,319</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(126,902)</u>	<u>(65,444)</u>	<u>-</u>	<u>(192,346)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>126,932</u>	<u>65,475</u>	<u>-</u>	<u>192,407</u>
Total Other Financing Sources	<u>126,932</u>	<u>65,475</u>	<u>-</u>	<u>192,407</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	30	31	-	61
FUND BALANCE, Beginning of year	<u>61</u>	<u>348</u>	<u>-</u>	<u>409</u>
FUND BALANCE, End of year	<u>\$ 91</u>	<u>\$ 379</u>	<u>\$ -</u>	<u>\$ 470</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
FIDUCIARY FUND TYPE – ACTIVITY FUNDS
JUNE 30, 2003

	<u>High School</u>	<u>Worthington Elementary</u>	<u>Campbell Elementary</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 133,237	\$ 14,348	\$ 9,493	\$ 157,078
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals Assets	<u>\$ 133,237</u>	<u>\$ 14,348</u>	<u>\$ 9,493</u>	<u>\$ 157,078</u>
Liabilities				
Accounts payable	\$ 982	\$ -	\$ -	\$ 982
Deposits held in custody for students	<u>132,255</u>	<u>14,348</u>	<u>9,493</u>	<u>156,096</u>
Total Liabilities	<u>133,237</u>	<u>14,348</u>	<u>9,493</u>	<u>157,078</u>
Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities And Fund Balances	<u>\$ 133,237</u>	<u>\$ 14,348</u>	<u>\$ 9,493</u>	<u>\$ 157,078</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Cash Balance June 30, <u>2002</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	Cash Balance June 30, <u>2003</u>	<u>Accounts Payable</u>	Deposits Held In Custody <u>June 30, 2003</u>
High School	\$104,977	\$263,400	\$235,140	\$ -	\$133,237	\$ 982	\$132,255
Campbell	10,915	35,481	36,903	-	9,493	-	9,493
Worthington	<u>8,992</u>	<u>34,777</u>	<u>29,421</u>	<u>-</u>	<u>14,348</u>	<u>-</u>	<u>14,348</u>
	<u>\$124,884</u>	<u>\$333,658</u>	<u>\$301,464</u>	<u>\$ -</u>	<u>\$157,078</u>	<u>\$ 982</u>	<u>\$156,096</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2003

	Cash Balance June 30, <u>2002</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	Cash Balance June 30, <u>2003</u>	<u>Accounts Payable</u>	Deposits Held In Custody <u>June 30, 2003</u>
Jr. High Academics	\$ 6	\$ 124	\$ 287	\$ 172	\$ 15	\$ -	\$ 15
Art Account	180	536	459	-	257	-	257
Wider Horizons	2,245	9,356	6,454	-	5,147	-	5,147
Jr. Beta Club	2,032	277	257	-	2,052	-	2,052
Sr. Beta Club	1,249	1,576	2,160	-	665	-	665
Badge Company	646	185	260	73	644	-	644
Jr. High Cheerleading	465	1,329	1,212	131	713	-	713
Jr. Varsity	201	100	170	(131)	-	-	-
Varsity Cheerleader	1,287	14,766	13,964	-	2,089	-	2,089
Seventh Grade Class	-	626	-	-	626	-	626
Chorus	4,246	4,596	8,364	-	478	-	478
Close-up	259	-	-	-	259	-	259
Drama Club	1,041	1,097	2,138	-	-	-	-
Travel Club	384	-	-	-	384	-	384
FBLA	769	1,937	2,444	-	262	-	262
Eighth Grade Class	-	630	-	-	630	-	630
FHA	6,715	16,444	17,076	-	6,083	-	6,083
FCA	-	100	40	-	60	-	60
Field Trips	-	3,335	3,335	-	-	-	-
Spanish	56	1,269	1,157	10	178	-	178
Spanish Honor Society	579	685	1,010	(152)	102	-	102
Spanish Club	-	3,664	3,608	(56)	-	-	-
Freshman Class	40	500	-	(40)	500	-	500
Computer Classes	381	485	583	-	283	-	283
High School Faculty Flowers	126	290	200	-	216	-	216
Home Economics	718	562	1,130	-	150	-	150
Technology Education	3	947	626	-	324	-	324
Technical Student	3,033	8,977	8,146	-	3,864	-	3,864
Junior Class	1,060	3,555	1,833	198	2,980	-	2,980
Key Club	599	742	1,052	(250)	39	-	39
Library Paper Account	80	5	802	728	11	-	11
Library	73	894	892	-	75	-	75
Lockers	1,370	1,696	80	(728)	2,258	-	2,258
Lost/Rental Books	8,489	7,540	2,193	-	13,836	-	13,836
Jr. High Lost/Rental	958	-	-	-	958	-	958
Miscellaneous	1,710	5,522	8,869	2,476	839	-	839
Scholarship Fund	1,500	1,000	2,000	-	500	-	500
Greenhouse	385	297	518	-	164	-	164
Newspaper	706	300	398	-	608	-	608
Pop Machine	7,174	11,608	5,966	(4,013)	8,803	-	8,803
Vending Machine	751	-	-	(751)	-	-	-
Ram Mart	28	-	-	(28)	-	-	-
Rams Against Drugs	87	-	-	(87)	-	-	-
RWEA	92	1,089	328	-	853	-	853
Science Class	31	-	-	(31)	-	-	-
Senior Class	366	1,506	2,540	694	26	-	26
Senior Class Trip	415	3,135	2,889	-	661	-	661
Sophomore Class	1,257	872	323	(1,217)	589	-	589
Student Council	988	319	348	-	959	-	959
AP Account	-	1,140	-	-	1,140	-	1,140
Calculators	943	2,015	1,982	-	976	-	976

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2003

	Cash Balance June 30, <u>2002</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	Cash Balance June 30, <u>2003</u>	Accounts Payable	Deposits Held In Custody <u>June 30, 2003</u>
Workbooks	685	374	431	-	628	-	628
Geometry Projects	138	520	433	-	225	-	225
Yearbook	78	22,353	11,936	-	10,495	-	10,495
Baseball Spring Trip	1,425	1,500	1,500	75	1,500	-	1,500
Baseball	89	2,037	4,116	2,099	109	-	109
Baseball Fundraisers	2,270	3,281	5,259	1,182	1,474	-	1,474
Boys Basketball	17,857	26,385	22,329	(1,985)	19,928	-	19,928
Basketball T-Shirt	571	30	-	(601)	-	-	-
8 th Grade Boys	4,596	2,039	1,047	-	5,588	-	5,588
Girls Basketball	2,951	3,606	5,218	(434)	905	-	905
Jr. Girls Basketball	298	908	618	-	588	-	588
Girls Basketball Fundraiser	2,139	5,301	8,843	4,026	2,623	-	2,623
Softball Fundraisers	1,765	717	374	(13)	2,095	-	2,095
B. Basketball	2,914	9,695	12,984	7,394	7,019	-	7,019
Girls Softball	-	1,067	3,019	1,977	25	-	25
Girls Volleyball	30	1,026	2,894	1,919	81	-	81
Football	9,748	24,031	23,124	-	10,655	982	9,673
Football Fundraiser	234	12,296	10,934	-	1,596	-	1,596
Golf	142	3,570	2,484	581	1,809	-	1,809
Cross-Country	10	100	624	750	236	-	236
Track and Field	522	188	1,257	631	84	-	84
Track/Field Fundraiser	446	2,136	520	-	2,062	-	2,062
Tennis	196	754	1,517	966	399	-	399
Girls Track and Field	-	18	1,805	1,824	37	-	37
Basketball Concession	-	13,158	1,502	(10,836)	820	-	820
Program Ads/Basketball	30	2,682	1,442	(1,270)	-	-	-
Athletic Allotment	<u>120</u>	<u>6,000</u>	<u>837</u>	<u>(5,283)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$104,977</u>	<u>\$263,400</u>	<u>\$235,140</u>	<u>\$ -</u>	<u>\$133,237</u>	<u>\$ 982</u>	<u>\$ 132,255</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

<u>FEDERAL GRANTOR/PASS THROUGH GRANT/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Kentucky Department of Education			
Title I	84.010	351-03-01	\$ 134,859
Title I-Migrant Education	84.011	352-02-02	3,780
IDEA, Part B	84.027	581-03-02	106,030
Carl Perkins Vocational Education -Carryover	84.048	462-02-32	173
Carl Perkins Vocational Education	84.048	462-03-32	8,197
IDEA, Early Childhood	84.173	587-03-02	2,868
Title IV Safe & Drug Free Schools	84.186	590-01-02	2,008
Title IV Safe & Drug Free Schools	84.186	590-03-02	5,531
Title VI Innovative Strategies	84.298	533-02-02	43
Title VI Innovative Strategies	84.298	533-03-02	5,435
Title II-D Technology Literacy Challenge	84.318	736-03-02	3,893
Title II- Eisenhower Math and Science	84.281	530-02-03	27
Title VI- Class Size Reduction	84.340	534-02-01	70
Title II-A Improving Teacher Quality	84.367	710-03-02	44,406
Passed through Kentucky Department of Juvenile Justice			
Title I	84.010	N/A	<u>15,036</u>
Total U.S.Department of Education			<u>332,356</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Kentucky Department of Education			
National School Lunch Program	10.555	575-02-02	19,315
National School Lunch Program	10.555	575-03-02	87,958
National School Breakfast Program	10.553	576-02-05	4,800
National School Breakfast Program	10.553	576-03-05	23,703
Passed through Kentucky Department of Agriculture			
Commodities Program	10.550	N/A	<u>20,830</u>
Total U.S. Department of Agriculture			<u>156,606</u>
Total Expenditures of Federal Awards			<u>\$ 488,962</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Raceland-Worthington Independent School District and is presented on the accrual basis of accounting.

NOTE B: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at fair market value of commodities received and disbursed.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for
School District Audits
Members of the Board of Education
Raceland-Worthington Independent School District
Raceland, Kentucky

I have audited the general purpose financial statements of the Raceland-Worthington Independent School District (the District), as of and for the year ended June 30, 2003, and have issued my report thereon dated October 31, 2003, which was qualified due to the omission of the General Fixed Assets Account Group. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements*.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as item number 2003-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is not a material weakness. I noted other matters involving the internal control over financial reporting that I have reported to the management of Raceland-Worthington Independent School District in a separate management letter dated October 31, 2003.

This report is intended solely for the information and use of the Board and management of the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

October 31, 2003

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for
School District Audits
Members of the Board of Education
Raceland-Worthington Independent School District
Raceland, Kentucky

Compliance

I have audited the compliance of Raceland-Worthington Independent School District (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Raceland-Worthington Independent School District's compliance with those requirements.

In my opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted a matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness.

This report is intended for the information and use of the Board and management of the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 31, 2003

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. A qualified opinion was issued on the general purpose financial statements, as the statements do not include the General Fixed Assets Account Group, which is required to be presented to conform with generally accepted accounting principles.
2. One reportable condition discovered during the audit of the general purpose financial statements is disclosed in Part B of this schedule. However, it is not considered a material weakness.
3. No instances of noncompliance material to the general purpose financial statements of Raceland-Worthington Independent School District were disclosed during the audit.
4. One reportable condition disclosed during the audit of internal control over major federal award programs is reported in Part C of this schedule. It is not reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs of the District expresses an unqualified opinion on all major federal programs.
6. All audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:
 - National School Lunch Cluster, CFDA Nos. 10.555 and 10.553
 - Title I, CFDA No. 84.010
8. The dollar threshold used to distinguish Types A and Type B programs, was \$300,000.
9. The auditee did not qualify as a low-risk auditee under OMB Circular A-133 *Audits of States, Local Governments and Non-profit Organizations*.

B. FINDINGS- FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

2003-01. AUTOMATED CHECK SIGNATURES

Condition:	The District purchased software that utilizes data spooled from the Munis accounting system to generate laser checks affixed with authorized signatures. While the program requires system diskettes to generate the signed checks, these diskettes are maintained by the accounts payable and payroll clerks. Also, the software is not programmed to generate audit trails or logs to indicate the users authorizing check runs or the batches printed. Furthermore, the spooled check data is not purged from the program, which provides opportunity for checks to be re-printed without being posted to the Munis general ledger.
Criteria:	Proper segregation of duties should be in place to provide reasonable assurance that checks cannot be generated without the knowledge of authorized signers. Additionally, procedures should be in place to ensure that re-prints cannot occur without being properly reflected in the Munis general ledger.
Effect:	Because clerks maintain check signing diskettes and the program has no additional built-in checks and balances or passwords, duties are not adequately segregated.

Recommendation: Management should determine if the software provider has the capability to generate activity logs indicating the date, individuals authorizing check runs, and the sequence of checks printed. If such logs cannot be generated from the program, offsetting procedures should be implemented to adequately segregate duties. This may be accomplished by moving the system diskettes to a secure location and requiring employees to log out the diskettes. Duties can be further segregated by requiring diskettes to be logged out and used by clerks not directly in charge of processing accounts payable and payroll checks. These clerks would then authorize the batch to print, purge the spooled data, and log the diskette back into its secure location, indicating the sequence of checks printed and date.

C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS AUDIT

Questioned
Costs

DEPARTMENT OF EDUCATION

TITLE I- CFDA NO. 84.010

Reportable Condition: As fully discussed in item 2003-01, the District utilized check signing software that compromised the segregation of duties in the payroll and accounts payable departments. Procedures should be implemented to log check signing activities and segregate these functions between departments.

Total Department of Education

-

DEPARTMENT OF AGRICULTURE

NATIONAL SCHOOL LUNCH & BREAKFAST- CFDA NO. 10.555, 10.553

Reportable Condition: As fully discussed in item 2003-01, the District utilized check signing software that compromised the segregation of duties in the payroll and accounts payable departments. Procedures should be implemented to log check signing activities and segregate these functions between departments.

Total Department of Agriculture

-

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

There were no prior year audit findings related to federal awards.

MANAGEMENT LETTER

Kentucky State Committee for
School District Audits
Members of the Board of Education
Raceland-Worthington Independent School District
Raceland, Kentucky

In planning and performing my audit of the general purpose financial statements of Raceland-Worthington Independent School District (the District) for the year ended June 30, 2003, I considered the District's internal controls over financial reporting to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal controls over financial reporting.

However, during the audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated October 31, 2003, on the general purpose financial statements of the District.

I will review the status of these comments during my next audit engagement. I have already discussed these comments and suggestions with various District personnel, and I will be pleased to discuss them in further detail at your convenience, or to assist you in implementing the recommendations.

October 31, 2003

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
JUNE 30, 2003

2003-02 PAYROLL RECONCILIATION

While reconciling the IRS Forms 941 to general ledger wages, it was determined the second quarter 941 wages were understated. Upon further investigation, it was noted that standard income tax table calculations were overridden to withhold less income taxes on retiring employees' final checks. The computer system's Form 941 accumulators then changed wage amounts to correspond with the income taxes withheld. All income tax withholdings should be determined from the computer's standardized tax tables. Employees wishing to have less income taxes deducted should submit new W-4 forms designating additional exemptions.

2003-03 NUMERICAL SEQUENCE OF CHECKS

A check issued in fiscal year 2003 was voided after year-end and replaced with a new check. However, the reissued check was backdated to June 30 even though checks for fiscal year 2004 had already been issued. Therefore, the backdating of the check resulted in a "gap" in the numerical sequence of checks issued. Checks should be voided and reissued in the current accounting month to preserve the proper sequencing of check numbers.

2003-04 NUMERICAL SEQUENCE OF PURCHASE ORDERS

An instance was noted where a purchase order number was assigned to a purchase request, but the actual purchase order was not generated in the computer system until several months later. Apparently, the purchase order was created when all documentation was received and the invoice was ready for payment. This resulted in funds not being obligated at the time of the purchase and gaps in the sequencing of purchase orders for the months in question. Ideally, purchase orders should be generated as soon as purchase requests have been approved. This process will ensure that funds are timely obligated and that numerical sequences are preserved. The purchase order will then remain open in the computer system until the corresponding invoice has been received for payment.

2003-05 MILEAGE REIMBURSEMENTS

While testing disbursements, it was noted that a group of employees were reimbursed for mileage at thirty-seven cents rather than the District's approved rate of thirty-two cents. All such requests for reimbursement should be reviewed for both clerical accuracy and appropriate reimbursement rates before payment is rendered.

2003-06 INVOICE CANCELLATION

The District's invoice cancellation procedures dictate that all invoices are to be stamped "paid" with a copy of the check attached to the invoice packet. However, two instances were noted during the testing of disbursements where invoices were not stamped as "paid". Efforts should be made to consistently implement the District's prescribed cancellation procedures to ensure that proper controls are maintained over disbursements.

2003-07 FIXED ASSETS POLICIES AND PROCEDURES

The District will be implementing GASB 34 in fiscal year 2004. As part of that implementation, the District will be required to maintain fixed asset records. The Board should consider developing policies relating to fixed asset capitalization, asset tracking, and inventorying requirements. Policies in such areas will provide overall guidance to ensure that procedures are consistently followed throughout the District.

2003-08 ELEMENTARY SCHOOL BOOKSTORE REVENUES

Currently, the teacher in charge of the bookstore arbitrarily sets the prices of supplies sold to students. Therefore, the markups per item type vary significantly. Consideration should be given to setting a standard markup for all supply items sold. Not only will this help instill uniform pricing, but it will also provide a measure for management in determining if cash collected for merchandise sales is adequate given the cost of supplies purchased.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER POINTS
JUNE 30, 2003

02-01 ACTIVITY FUND INVENTORY CONTROL WORKSHEETS

- Condition: Numerous errors were made in completing the monthly worksheets for pop inventory at the high school and school supplies at Worthington Elementary. These errors were compounded by physical inventories taken at varying points during the month rather than at month end.
- Current Status: Bookkeepers were advised on the procedures to follow in preparing inventory control worksheets. The Principals were instructed to count inventory on the last working day of each month. A member of the Central Office staff visits the schools on a monthly basis to review worksheets for accuracy.

02-02 BALL GAME TICKET SALES

- Condition: Errors were made in logging the ticket numbers on the Requisition and Report of ticket Sales forms completed for ball games. Such errors resulted in the computed number of tickets sold to be shorted by one ticket.
- Current Status: The bookkeeper has been advised of the appropriate ticket numbers to log to ensure the reports are prepared accurately and agree to cash collected. A member of the Central Office staff also visits the school on a monthly basis to review ticket sales for accuracy. No exceptions related to ticket sales were noted in the 2003 audit.

02-03 NUMERICAL SEQUENCE OF RECEIPTS

- Condition: Differences were noted when comparing computer generated receipts to the cash receipts journals at the High School. It appeared these sequencing differences were due to printer jams that occurred while generating the receipts.
- Current Status: The bookkeeper now voids not only the paper stock, but also the same sequence of numbers in the computer system to preserve the numerical sequence of receipts for the year. No sequencing exceptions were noted while performing test work during the 2003 audit.

02-04 DONATED INVENTORY

- Condition: Principals and Bookkeepers did not maintain cumulative details of donated inventory needed to adequately monitor and budget the amount of inventory donated each year.
- Current Status: Principals maintained cumulative details of donated inventory during the 2002-2003 school year.

02-05 TRAVEL REIMBURSEMENT

- Condition: An instance was noted where the Central Office overpaid a travel reimbursement to an employee for a tip in excess of fifteen percent.
- Current Status: No exceptions related to meal reimbursements were noted during the 2003 audit.

02-06 OVERTIME WAGES

- Condition: Overtime wages in excess of twenty-seven thousand dollars were paid to classified personnel during the year. Management should consider reviewing current staffing levels to determine when it may be more efficient and cost effective to employ an additional individual rather than pay overtime to current employees.
- Current Status: In light of overtime hours previously worked and in anticipation of GASB 34 fixed asset accounting, an additional employee was hired for the Central Office.

CORRECTIVE ACTION PLAN

October 31, 2003

Raceland-Worthington Independent School District respectfully submits the following corrective action plan for the year ended June 30, 2003. The recommendations presented by our independent auditor, Michelle K. Carpenter, CPA are discussed below. The recommendations are numbered consistently with the numbers assigned in the schedule of findings and questioned costs and in the management letter.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2003-01 Recommendation: Management should determine if the software provider has the capability to generate activity logs indicating the date, individuals authorizing check runs, and the sequence of checks printed. If such logs cannot be generated from the program, offsetting procedures should be implemented to adequately segregate duties. This may be accomplished by moving the system diskettes to secure location and requiring employees to log out the diskettes. Duties can be further segregated by requiring diskettes to be logged out and used by clerks not directly in charge of processing accounts payable and payroll checks. This person would then authorize the batch to print, purge the spooled data, and log the diskette back into its secure location, indicating the sequence of checks printed and date.

Action Taken: According to the software provider, audit trail logs may become available on future software upgrades. Therefore, since such upgrades are not currently available, we have moved the system diskettes to a locked file cabinet maintained by the Finance Officer. A clerk not involved in processing the particular check run must log out these diskettes. This clerk generates the signed checks, indicates the number of checks generated on the log, purges the file from the check generating system and signs off on the log. The finance officer then signs the log to signify approval of the check run. Additionally, the Superintendent and Finance Officer will review and initial check registers.

MANAGEMENT LETTER

2003-02 Recommendation: All income tax withholdings should be determined from the computer's standardized tax tables. Employees wishing to have fewer income taxes deducted should submit new W-4 forms designating additional exemptions. Management should determine if the software provider has the capability

Action Taken: The payroll clerk has been advised to process retiree sick leave payouts using the same procedures and withholdings as regular payroll. The second quarter 941 has been amended to reflect proper wage amounts.

2003-03 Recommendation: A check issued in fiscal year 2003 was voided after year-end and replaced with a new check. However, the reissued check was backdated to June 30 even though checks for fiscal year 2004 had already been issued. Therefore, the backdating of the check resulted in a "gap" in the numerical sequence of checks issued. Checks should be voided and reissued in the current accounting month to preserve the proper sequencing of check numbers.

Action Taken: The accounts payable clerk has been instructed to void and reissue checks in the current accounting month.

2003-04 Recommendation: Purchase orders should be generated as soon as purchase requests have been approved. This process will ensure that funds are timely obligated and that numerical sequences are preserved.

Action Taken: The accounts payable clerk has been informed of proper procedures to follow in processing purchase orders.

2003-05 Recommendation: Requests for mileage reimbursements should be reviewed for both clerical accuracy and appropriate reimbursement rates before payment is rendered.

Action Taken: All such requests will be reviewed for accuracy before payment is rendered in the future.

2003-06 Recommendation: Efforts should be made to consistently implement the District's prescribed invoice cancellation procedures to ensure that proper controls are maintained over disbursements.

Action Taken: Accounts payable clerk will periodically audit all invoices to ensure all have been defaced.

2003-07 Recommendation: The Board should develop policies setting the dollar threshold for capitalization, asset tracking and inventorying requirements. Policies in such areas will provide overall guidance to ensure that procedures are consistently followed.

Action Taken: The Board will be adopting policies regarding fixed assets and inventories as the GASB 34 implementation draws near.

2003-08 Recommendation: Consideration should be given to setting a standard markup for all bookstore items sold. Not only will this help instill uniform pricing, but it will also provide a measure for management to determine if cash collected on sales of merchandise is adequate given the cost of supplies.

Action Taken: A meeting will be scheduled with the teacher in charge of the bookstore to discuss setting a standard markup and preparing reports to better track activity.

If the Commonwealth of Kentucky, Department of Education has questions regarding this plan, please contact the undersigned at (606) 836-7218.

Respectfully yours,

Mary Fields,
Finance Officer